

HOUSE BILL REPORT

SB 5676

As Passed House:

March 2, 2022

Title: An act relating to providing a benefit increase to certain retirees of the public employees' retirement system plan 1 and the teachers' retirement system plan 1.

Brief Description: Providing a benefit increase to certain retirees of the public employees' retirement system plan 1 and the teachers' retirement system plan 1.

Sponsors: Senators Conway, Billig, Gildon, Holy, Hunt, Keiser, Kuderer, Lovelett, Lovick, Mullet, Muzzall, Pedersen, Randall, Rivers, Robinson, Saldaña, Stanford, Van De Wege, Wagoner, Warnick, Wellman, Wilson, C. and Wilson, L.; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity:

Appropriations: 2/22/22, 2/24/22 [DP].

Floor Activity:

Passed House: 3/2/22, 95-0.

Brief Summary of Bill

- Increases the monthly benefit of Public Employees' Retirement System and Teachers' Retirement System Plan 1 retirees receiving a benefit on July 1, 2021, by 3 percent, up to a maximum increase of \$110.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 32 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Boehnke, Caldier, Chandler, Chopp, Cody, Dolan, Dye, Fitzgibbon, Frame, Hansen, Harris, Jacobsen,

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Johnson, J., Lekanoff, Pollet, Rude, Ryu, Schmick, Senn, Springer, Steele, Stonier, Sullivan and Tharinger.

Staff: David Pringle (786-7310).

Background:

The basic retirement allowance of a member of Plan 1 of the Public Employees' Retirement System (PERS Plan 1) or the Teachers' Retirement System (TRS Plan 1) is equal to 2 percent of the member's average final compensation, calculated on the member's highest consecutive two years of compensation, for each year of service. Retirement benefits in the PERS Plan 1 and TRS Plan 1 are available to members after 30 years of service at any age, with 25 years of service at age 55, and with five years of service at age 60. The original Plan 1 design in both systems did not contain a benefit feature annually adjusting retirees' benefits, though several ad-hoc retiree benefit adjustments were created by the Legislature prior to 1995.

Between 1995 and 2011, PERS Plan 1 and TRS Plan 1 retirees' benefits could be eligible for an annual increase from a benefit generally referred to as the Uniform Cost of Living Adjustment (COLA), or Uniform COLA. The Uniform COLA was enacted in 1995 to replace a number of prior COLAs and was a fixed dollar amount multiplied by the member's total years of service. The dollar amount of the Uniform COLA was about \$1.88 per year, meaning that a member with 25 years of service would receive an additional \$47 per month each year, and the Uniform COLA itself would have increased by 3 percent per year on July 1. Members did not have a contractual right to future increases to the Uniform COLA, and those increases ceased with the repeal of the Uniform COLA in 2011.

In 2018 the Legislature provided a one-time increase of 1.5 percent that was applied to the PERS Plan 1 and the TRS Plan 1 on July 1, 2018, up to a maximum increase of \$62.50 per month. In 2020 the Legislature again provided a one-time increase of 3 percent that was applied to the PERS Plan 1 and the TRS Plan 1, up to a maximum increase of \$62.50 per month.

Summary of Bill:

The PERS and TRS Plans 1 benefits for members retired by July 1, 2021, are increased by 3 percent on July 1, 2022, up to a maximum increase of \$110.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2022.

Staff Summary of Public Testimony:

(In support) As a 75-year-old Plan 1 retiree, salaries were low a few decades ago. Many of the TRS 1 retirees are women and are getting old. Only two COLAs have been granted in the past decade. A larger-than-3 percent increase is warranted. Medical premiums have gone up just as much as the COLAs that the Plans 1 have received. An amended bill with an ongoing COLA would be better, and equitable with Plans 2 and 3. The pension plans are well-funded and can afford these increases and more. The PERS and TRS Plans 1 are the only plans without COLAs. These retirees spend most of their money in the communities where they live, so there is a good economic impact from this bill. Workers have had a tacit agreement with the State of Washington: lower salaries, but a stable and dignified retirement. By failing to maintain a cost-of-living scheme that keeps up with inflation, the state is not fulfilling this agreement.

(Opposed) None.

Persons Testifying: Barbara Church and Mary Wallon, Washington State School Retirees' Association; Zona Gail Spaeth and Clair Olivers, Retired Public Employees Council of Washington; Gloria Smith; Neva Luke; and Jared Mason-Gere, Washington Education Association.

Persons Signed In To Testify But Not Testifying: None.